

Brochure

This brochure provides information about the qualifications and business practices of Laxey Partners Ltd. If you have any questions about the contents of this brochure, please contact us at +44 1624 690900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Laxey Partners Ltd also is available on the SEC's website at www.adviserinfo.sec.gov

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1 Advisory Business

a) Description and advisory services offered

Laxey Partners Ltd (“Laxey”), a globally active value investor, is a private limited liability company incorporated under the laws of the Isle of Man on 13 November 1998 under the provisions of the Companies Acts 1931 to 2004. The entire issued share capital of Laxey, is held by Laxey Group Limited and is legally and beneficially owned by Mr. Kingsnorth and The Pegge Family Trust as to half each. Mr. Kingsnorth and Mr. Pegge (together with Mr. Haxby and two other independent non executive directors) are executive directors of Laxey.

Laxey is an authorized person in the Isle of Man, holding an investment business license issued by the Financial Supervision Commission of the Isle of Man under section 7 of Financial Services Act 2008. Laxey is licensed to carry on the following regulated entities:

Class 2 investment business

Class 3 Services to collective investment schemes

Class 4 Corporate Service Provider.

Laxey is also registered with the U.S. Securities and Exchange Commission as an investment adviser (this registration does not imply a certain level of skill or training).

b) Client assets managed on a discretionary basis

Laxey has approximately USD\$ 602,633,000 under discretionary investment management (as at 30 December 2011).

2 Fees and compensation

Laxey charges a 1.5% management fee paid monthly in arrears on each of its funds. Fees are deducted from clients assets held in the funds.

3 Performance-Based Fees

Performance fees are payable on the funds under management.

4 Types of Clients

Laxey provides investment management and advice to investment companies (funds) and pension plans.

5 Investment Strategy / Investing Policy / Risks

a) Investment Strategy

Laxey is a global active value investment management company that pursues one strategy: it actively promotes shareholder engagement and sound corporate governance to close the valuation gap between the share price at which an asset trades and its intrinsic value. This strategy is mirrored in the objectives and strategies in the funds to which it is appointed investment adviser/manager (its clients).

The Laxey team has extensive experience in investment management, corporate finance, and trading and shareholder rights.

Each of the funds to which Laxey is appointed has the above strategy and an investment objective to preserve the real value of capital and then to achieve long term capital growth with consistent returns.

Laxey enhances returns and reduce risk through the selective use of both gearing and various hedging strategies when considered by Laxey to be appropriate.

All monies held on behalf of the funds are deposited with a prime broker.

Laxey is experienced in identifying undervalued situations and is experienced in bringing about the elimination or reduction of value disparities between the value and price of many investments, such as closed-end funds, investment trusts, holding companies, and other listed companies.

Laxey believes that there are many examples of corporations whose Boards do not manage their companies in a manner which will produce the greatest return for their shareholders. International and domestic institutions, are taking considerably more interest in extracting maximum value from all the investments in their portfolios. Many though do not wish to publicly debate management inadequacies, but are happy to support those who are prepared to take on this role.

b) Investing Policy and techniques

By "active value" investing Laxey will seek, where appropriate, to enhance shareholder value by encouraging improved corporate governance in the management of investee companies and implementing corporate action through discussion with other shareholders, boards or advisers. Such action may involve, but will not necessarily be limited to, requisitioning extraordinary general meetings to consider changes to the board, the management or the investment manager of an investee company, or the purpose of an investee company.

The following additional investment aims are pursued:

Maintain liquidity. The portfolio of the funds will be constructed with a view to enabling the funds to meet, any liquidity issues and constraints that arise, for example redemption requests. The assets of the funds will be invested in securities of companies that Laxey has identified as positively meeting its criteria.

Leverage/Gearing. Laxey may utilize leverage or borrowed funds in its investment strategy when the return expected from purchased securities exceeds the interest rate on borrowed funds. While the use of leverage can substantially improve the return on invested capital, leverage may also significantly increase the impact of adverse movements in the value of the portfolio securities so affecting the Net Asset Value of the funds.

In all cases, Laxey seeks to provide a balanced investment portfolio, without excessive concentration in any one particular country or industry.

Hedging. Laxey, when it is considered appropriate, enhances returns and reduces risk through the selective utilization of various appropriate hedging strategies. The decision by Laxey to hedge one or more portfolio securities may be affected by Laxey's views on factors including the characteristics of the investment, prevailing and forecast market conditions as well as the appropriateness of any hedge. This latter factor will include the likely cost and tracking error of any hedge. There can be substantially different costs for hedging different markets and each

investment will be considered on a risk/return basis. The funds may from time to time enter into financial securities contracts either to buy or to sell derivatives as part of this strategy. Where hedging is either not possible or not relevant and/or where Laxey has a negative view on the asset, then the investment(s) will only be undertaken if Laxey believes that the asset(s) is (are) either sufficiently undervalued or some underlying directional exposure is appropriate and/or the release of some or all of the value appears feasible.

Laxey's investment program is subject to investment restrictions/guidelines with respect to the types of instruments it may purchase, the location of markets, currencies in which the instruments are denominated or the nationality of the issuer.

c) Risks

An investment in the funds managed by Laxey involves a high degree of risk. Accordingly, participation in the Funds to which Laxey acts as investment advisor/manager is suitable only for persons of adequate financial means who have no need for liquidity with respect to their investment and who can bear the economic risk of their investment including, possibly, the complete loss of their investment. Among the factors which should be carefully considered prior to the subscription or purchase of Shares are:

Speculative Investment Program. The fund's investment program should be considered speculative, as there can be no assurance that its investments will generate a profit. In view of the fact that the funds are unlikely to pay dividends, an investment in the funds is not suitable for investors seeking current income.

Illiquid investments. A right to redeem shares / partnership interests may be temporarily suspended by the funds in accordance with their constitutional documents.

Fees and Expenses. The funds may invest from time to time in other investment funds. To the extent the funds invest, holders of shares/partnership interests may, in effect, be subject to duplicate management fees and expenses.

Income Tax Withholding. Dividends, income and gains derived from securities of companies resident in countries in which the funds invests may be subject to income tax withholding in such countries (including but not limited to the UK and mainland Europe, as well as the U.S.).

Risk of the fund's Investments and Strategy. The funds seek to achieve their investment objective by investing substantially all of its assets directly in securities and other financial instruments. Investment activities of the funds will be subject to a number of risks, some of which are described generally below.

Concentration of Investments. Although Laxey follows a general policy of seeking to spread risk among a number of investments, the funds may, at certain times, hold a few relatively large (in relation to the fund's capital) positions in securities, with the result that a loss in any position could have a material adverse impact on the funds.

Leverage. Securities held by the funds may be traded on a leveraged basis, *i.e.*, where the security can be purchased by putting up only a portion of the instrument's value and borrowing the remainder. As a result, a relatively small price movement in a security may result in immediate and substantial losses to the funds. In addition, trading on margin will result in interest charges which may be substantial. Leveraged investments, including any purchase or sale of securities on margin, may result in losses in excess of the amount invested.

Short Selling. The funds may from time to time engage in short selling. Selling securities short runs the risk of losing an amount greater than the amount invested. Short selling is subject to unlimited risk of loss because there is no limit on how much the price of the stock might appreciate before the short position is closed. A short sale may result in a sudden and substantial loss if, for example, an acquisition proposal is made for the subject company at a substantial premium over market price.

Derivatives. The prices of all derivatives are highly volatile. In addition, the funds are subject to the risk of the failure of any of the exchanges on which it trades or of their clearing houses and in certain cases the counterparties with whom the trades are carried out.

To the extent that the funds engage in futures contract trading and the broker with whom the Company maintains accounts fails to segregate the funds' assets, the fund will be subject to a risk of loss in the event of the bankruptcy of the broker. In certain circumstances, where there is segregation, the funds might be able to recover, even in respect of property specifically traceable to the fund, only a pro rata share of all property available for distribution to a bankrupt broker's customers.

The funds may utilize both exchange-traded and over-the-counter futures and contracts for differences as part of its investment policy and for hedging purposes. These instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter derivatives may involve additional risk as there is no exchange or market on which to close out an open position. It may be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Illiquidity of Markets. At various times, the markets for securities purchased or sold by the funds, although organized and active, may nevertheless be "thin" or illiquid, making the purchase or sale of securities at desired prices or in desired quantities difficult or impossible. For example, many securities exchanges have authority to suspend trading in a particular security without notice.

Futures Trading. Futures contracts are contracts made on or through a financial exchange and provide for future delivery of the underlying security (for example, financial instruments). Such contracts are uniform for each underlying security on each exchange and vary only with respect to price and delivery time. A contract to buy or sell may be satisfied either by making or taking delivery

of the security and payment or acceptance of the entire purchase price therefore or by offsetting the contractual obligation with a countervailing contract on the same exchange prior to delivery. Financial exchanges provide a clearing mechanism to facilitate the matching of offsetting trades.

The funds may purchase or sell financial futures contracts and may also engage in the activity of trading in stock index futures contracts on a financial exchange in order to off-set or hedge transactions in its securities portfolio or its borrowing costs, or to participate in market trends.

There are certain risks attendant upon futures trading. Prices of futures contracts are affected by a wide variety of complex factors which are difficult to predict, such as supply and demand of a particular security, governmental activities and regulations, political and economic events and characteristics of the market price. Futures contracts are purchased on margin which under normal

circumstances range from about 4% to 20% of the value of the security underlying the contract. Change in the market price of the futures contract will increase or decrease the margin required. Moreover, it is not always possible to execute a buy or sell order at the desired price either due to market conditions or limits on positions and/or daily price fluctuations imposed by exchanges. When the market price of a futures contract reaches its daily price fluctuation limit, no trades or only a limited number of trades can be executed. Thus, the holder of a futures contract may be locked into an adverse price movement and could lose considerably more than the margin. Another instance of difficult or impossible execution occurs in thinly traded markets or markets which lack sufficient trading liquidity.

Investment in Small Companies. Although it is not intended that the funds will generally invest a significant portion of its assets in companies with smaller capitalizations, there is no limitation on the size or operating experience of the companies in which the funds may invest. Some small companies in which the funds may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small participants in their industries, may face intense competition from larger companies and typically entail a greater risk than investment in larger companies.

Foreign Securities. The fund's investments which are denominated in currencies other than U.S. Dollars are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The funds may seek to hedge currency risks but there can be no assurance that such strategies will be effective.

Foreign Currency Transactions. The funds may enter into foreign currency forward contracts and foreign currency futures contracts. These contracts are used to minimize the risk to the funds from unfavourable changes in the relationship between the U.S. Dollar and foreign currencies.

The funds may engage in foreign currency exchange transactions in connection with the purchase and sale of portfolio securities (*transaction hedging*) and to protect the value of specific portfolio positions (*position hedging*). It may also engage in cross-hedging by using forward contracts in one currency to hedge against fluctuations in the value of securities denominated in a different currency, if Laxey anticipates that there will be a correlation between the two currencies.

If conditions warrant, the funds may enter into contracts to purchase or sell foreign currencies at a future date and may purchase and sell foreign currency futures contracts as a hedge against changes in foreign currency exchange rates between the trade and settlement dates on particular transactions and not for speculation. A foreign currency forward contract is a negotiated agreement to exchange currency at a future time at a rate or rates that may be higher or lower than the spot rate. Foreign currency futures contracts are standardized exchange-traded contracts and have margin requirements.

There can be no assurance that any of these strategies, including cross-hedging techniques, if used by the funds, will be successful. The strategies entail special risks, including: (i) there may not be any correlation, or an imperfect one, between price movements of hedging instruments and price movements of the securities being hedged; (ii) while hedging strategies may reduce the risk of loss, they offset favourable price movements in hedged investments, thereby reducing the opportunity for gain or even resulting in losses; and (iii) the funds may be unable to sell a security

at an opportune time, or may be required to sell a security at a disadvantageous time, due to the need for the Fund to maintain cover or to segregate securities for hedging transactions or to the inability of the funds to close out their hedged position.

Trading in Distressed Securities and Highly Leveraged Companies.

The funds may invest in distressed securities and highly leveraged companies, or in investment vehicles which invest in such securities and companies. An investment in these types of securities and companies, by the nature of their leveraged capital structure, will involve a high degree of financial risk. Such risks include, but are not limited to, the following: (i) subordination to substantial amounts of senior indebtedness, all or a significant portion of which may be secured; (ii) the possibility of substantial changes in rights and covenants which could result in less protection for the Fund with respect to securities purchased in proceedings under Chapter 11 of the U.S. Bankruptcy Code; (iii) the lack of regulation of the over-the-counter securities markets (in which distressed securities often are traded) by any exchange; and (iv) the lack of any established market-making, margin or other requirements that would help to ensure a viable trading market exists for a particular security.

Cash Positions. While it is generally expected that the fund's assets will be fully invested, Laxey may maintain cash positions when, in its opinion, market conditions preclude investment opportunities meeting Laxey's investment strategy. Cash positions may include money market mutual funds, commercial paper, repurchase agreements, certificates of deposit and bankers' acceptances, and other money market instruments deemed appropriate by Laxey. To the extent that the fund's assets are invested in money market mutual funds, such may be subject to additional fees.

Active Management. Laxey's approach will emphasize the active management of the fund's assets. This may result in the funds taking frequent trading positions. Consequently, portfolio turnover and brokerage commission expenses may exceed those of some investment entities of comparable size.

Pricing. Where the investments of the funds includes investments in collective investment schemes, the administrator may rely on the price (including estimated prices) provided by Laxey, the administrator or valuation agent of such scheme, and in such circumstances the administrator will not be liable for any loss suffered by the funds or any investor by reason of any error in the price provided.

Determination of Net Asset Value. While specific valuation parameters are provided for securities traded in an active market, the Directors of the funds are given discretion to establish the value of investments in certain illiquid securities and certain other illiquid assets. Such determinations will affect the fund's Net Asset Values and thus the value of shares/the partnerships.

Incentive Fees. The fee structure to which Laxey is subject may create an incentive for Laxey to make investments riskier or more speculative than would be the case in connection with other compensation arrangements.

Overall Investment Risk. All investments in securities risk the loss of capital. The nature of the securities to be purchased and traded directly or indirectly by the funds and the investment techniques and strategies to be employed by Laxey may increase such risk. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognized or acquired. While Laxey devotes its best efforts to the management of the fund's assets, there can be no assurance that the funds will not incur losses. Returns generated from the fund's investments may not adequately compensate the

fund for the business and financial risks assumed. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments, may cause sharp market fluctuations which could adversely affect the fund's portfolio and performance.

6 Disciplinary Information

Laxey is not subject to any disciplinary events.

7 Other Financial Industry Activities and Affiliations

Laxey currently has no other financial industry activities or affiliations.

8 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

a) Code of Ethics

Laxey conducts its business fairly, impartially, in an ethical and proper manner, in accordance with the company's values rules and procedures, and in full compliance with all laws and regulations. In the course of conducting company business, integrity must underlie all company relationships, including those with customers, suppliers, communities and among employees. The highest standards of ethical business conduct and compliance are required of its employees in performance of their company responsibilities. Employees must not engage in conduct or activity that may raise questions as to the company's honesty, impartiality, reputation or otherwise cause embarrassment to the company. Conduct that is prohibited under its policies or does not comply with the laws and regulations may not be accomplished on an employee's behalf by anyone outside the company.

Laxey operates by the following code of ethics:

- To act honestly and fairly and with due skill, care and diligence in the best interest of customers and the integrity of the markets;
- To respect its obligation to the public to observe just and equitable principles of trade;
- To adhere to the applicable laws and regulations and rules of self-regulatory organisations or contract markets and registered derivatives transaction execution facilities;
- To obtain and assess the financial situation and investment experience of every client;
- Disclosure of material information to clients;
- The avoidance, proper disclosure and handling of conflicts of interest;
- Proper understanding of and adherence to supervisory systems and internal controls at all times.

A copy of the code of ethics to any client or prospective client is available upon request.

b) Conflicts

Laxey acts as investment manager and adviser to a number of clients that have similar investment objectives and strategies.

It is generally the intention for these clients to make parallel investments. Investment decisions are made for each client of Laxey in a fair and equitable manner in light of relevant investment considerations.

Purchases and sales are allocated among clients so as to ensure that no client be treated less favourably than another. Purchases and sales are allocated among client accounts pro rata in accordance with relative net assets under management (subject to rounding), after taking into account relative liquidity of each client account and the risk profile of the investment in question.

Laxey may engage in other business activities and manage the accounts of numerous clients, including those of investment funds. Laxey is not required to refrain from any other activity or disgorge any profits from any such activity including acting as investment adviser or managing agent for funds with objectives similar to those of other clients. Laxey will devote such time and effort to each client as it deems necessary and appropriate and sufficient.

Laxey clients may invest in securities in which the directors of Laxey or its affiliates have a financial interest, or to engage in transactions with brokers, dealers or others with whom they have financial or other business relationships. In the event that any such conflict of interest arises, the directors of Laxey that are not in conflict will ensure that the conflict is resolved fairly.

c) Personal Dealing

In accordance with the SEC rules Laxey has in place personal dealing procedures in relation to those personnel who are deemed to be access persons being any individual who:

- Has access to non public information regarding any fund purchases; or
- Sales of securities; or
- Is involved in making securities recommendations to the firm's funds, or has access to such recommendations that are non-public.

All the employees and directors of Laxey must adhere to the personal dealing procedures.

Employees and the directors of Laxey must not make use of information obtained during the course of their employment whether for personal gain for for another's benefit, when purchasing and / or selling stocks and shares or any subsidiary financial instruments and are aware that it may constitute a criminal offence to do so.

Investments that are held at the commencement of employment with Laxey may be sold provided the compliance officer ("the CO") or Director ("**Authorising Officer**") has given prior written approval for the trade. Furthermore, all new investments require the prior approval of an Authorising Officer which must be requested using an Employee Personal Dealing Authorisation Form. The Authorising Officer will consider whether that transaction will conflict with Laxey's duties to its clients under the regulatory system. A register of all personal account transactions will be maintained by the CO.

PA dealings may be made through any intermediary. Only when the Authorising Officer, has given permission may the relevant member of staff enter into such transaction. The Authorising Officer will provide, in writing, memo or e-mail, his permission or his decision to not allow the transaction to the staff member. Dealing permission is only valid on the day permission is granted. If the trade is not executed during this period a new request must be obtained. All securities must be held for 30 days.

After entering into a personal account transaction, the employee must provide the CO with full details about the transaction immediately after the transaction has been effected. The employee must also provide a copy of the deal confirmation (or contract note) shortly after execution. This may be sent directly to the CO by the firm effecting the trade. This should include:

- date, title of security (inc. ticker symbol or CUSIP no. where applicable)
- interest rate / maturity date (where applicable)
- number of shares and principal amount
- nature of the transaction (e.g. purchase or sale)
- price of the security
- name of broker, dealer or bank through which the trade was effected
- date of submission of the report. The transaction report must be submitted within 30 days of the quarter end which must include all transactions within that quarter.

It is of paramount importance that no-one shall deal ahead of, or adversely affect the position of the company's clients. Their interests must always take priority.

Dealings of a short term or speculative nature are discouraged.

Staff may deal in options, both traditional and traded, provided they have received permission to deal in such instruments and have signed the necessary risk disclosure statement. In no circumstances may options be written or money taken for uncovered positions.

Staff are reminded that where their duties involve advising clients and others on investment matters they should ensure that they do not receive any benefit which cannot be regarded as properly justifiable in all the circumstances.

Investments that are managed on a discretionary basis are exempt from this policy.

The CO will keep a record of all permissions given or refused, confirmations received and each notification made by staff. These records will be kept for a period of 10 years. The CO will also keep a record (for a 10 year period) of these PA dealing rules and of any amendment made.

9 Brokerage Practices

In the selection of brokers and the placing of orders for the purchase and sale of portfolio investments Laxey seeks to obtain the most favourable price and execution available, except to the extent it may be permitted to pay higher brokerage commission for brokerage and research services as described below. In using its best efforts to obtain the most favourable price and execution available, Laxey, bearing in mind the client's best interests at all times, considers all factors it deems relevant, including, by way of illustration price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker involved and the quality of service rendered by the broker in other transactions.

Laxey may cause a client (or fund) to pay a broker that provides brokerage and research services to Laxey an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker would have charged for effecting that transaction, if Laxey determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker, viewed in terms of either that particular transaction or overall responsibilities with respect to the client and to other clients of Laxey over which Laxey exercises investment discretion, without any requirement to demonstrate that any such services are of direct benefit to the client.

From time to time, the funds may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by the funds may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. Laxey believes that the use of a broker in such instances is consistent with its duty of obtaining best execution for the funds. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

10 Review of Accounts

Interim financial statements and audited financial statements of all the funds are prepared and distributed to all underlying investors.

11 Client referrals and Other Compensation

Laxey does not refer clients.

12 Custody

Laxey does not have custody of client funds or securities.

13 Investment Discretion

Laxey accepts discretionary authority to manage accounts (the funds) on behalf of the clients. Laxey enters into an investment management or investment advisory agreement with each of the funds or general partners of the limited partnerships setting out the terms of its appointment to manage the funds.

14 Voting Client Securities

Laxey ensures that client securities over which Laxey has voting discretion are voted in the best interests of the client and resolves any material conflicts that may arise between the client's interests and the interest of Laxey. Any material conflicts of interest that may arise will be disclosed to, and direction will be sought from, the client and, in the absence of direction Laxey will abstain from voting the client's securities.

Clients may obtain information on how their securities were voted or a copy of Laxey's Proxy Voting Policies, Procedures and Guidelines by written request addressed to Laxey.

15 Financial Information

Laxey does not require or solicit prepayments of fees or foresee any condition that is likely to impair its ability to meet contractual commitments to clients.

16 Requirements for State-Registered Advisers

Laxey is not a State-Registered adviser.